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Reaction to the Interim Report of the Al
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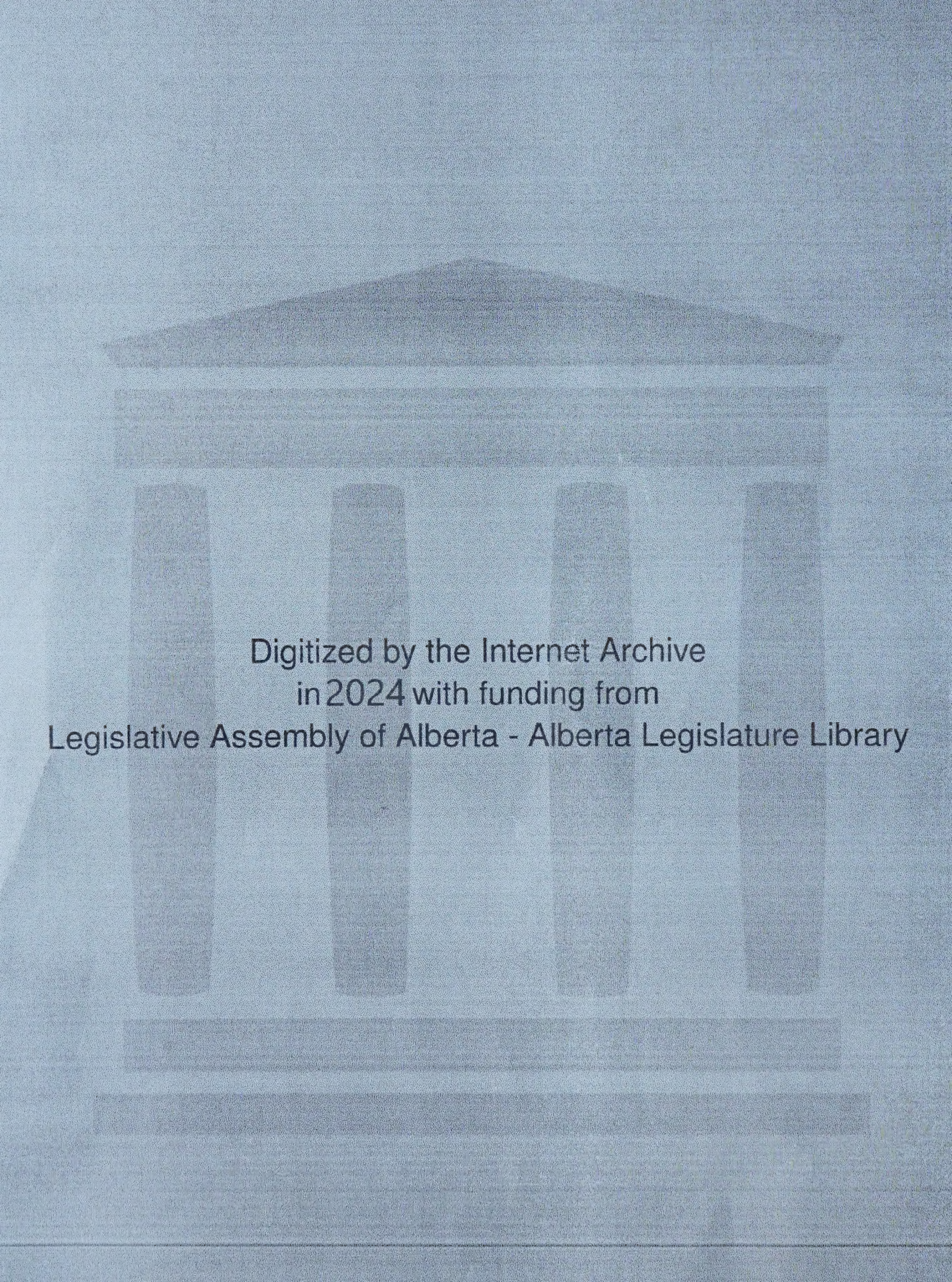
The Urban Fiscal Problem Restated

THE FARRAN TASK FORCE?

POSITION PAPER

THE ALBERTA URBAN MUNICIPALITIES ASSOCIATION

66TH ANNUAL CONVENTION 1972



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The Executive re A.U.M.A. position on The Task Force Interim Report.

WHEREAS it is the conclusion of the Alberta Urban Municipalities Association that the Task Force approach to the study of Provincial-Municipal Fiscal Arrangements, will not meet the purpose of our original proposal for such a study;

WHEREAS the Task Force has not fully applied itself to the concept of the terms of reference which this Association was instrumental in devising; and

WHEREAS this Association seeks indepth and long-range solutions to this complex problem;

THEREFORE BE IT RESOLVED that a PROVINCIAL-MUNICIPAL FINANCE COMMISSION be established to undertake the study under the original terms of reference; and further

WE RECOMMEND THAT in the interim grants to municipalities should be increased so that additional revenue does not have to be raised from property tax.

FARRAN TASK FORCE

INTRODUCTION

We welcome this opportunity to react to the various proposals set out in the Interim Report of the Task Force on Provincial-Municipal Fiscal Arrangements. The Alberta Urban Municipalities Association is totally dedicated to the development and growth of strong and resourceful local government. It believes that the principles of a true democracy are most fully embodied in the level of government which is closest to the people that it serves.

The subject at hand is of such a complex nature, both in political and economic terms, that no ultimate solutions are readily apparent. The situation is compounded daily by the complexities and development of modern society, particularly the reality of urbanization. A solution, therefore, becomes all the more difficult to achieve when society, and as a consequence the role of local government, is in a continuous state of change. There must be, however, an acceptance by all levels of government that the interests of the people are paramount, and solutions must be found if the people are to be served.

The activities and energies of this Association have been directed towards the evolvement and enunciation of a more meaningful provincial-municipal relationship. Our record in this regard is as follows:

HISTORY

For more than twenty years Alberta's provincial and municipal governments have been involved in a continuing dialogue revolving around their respective responsibilities and financial resource. This brief is a continuation of that dialogue which has been conducted openly and freely over the years.

Various studies and reports have given the dialogue written form. The provincial Public Expenditures and Revenue Study Committee report, the 1968 document *"Urban Crisis"*, briefs on *Bill 35 - An Act to Amend the Assessment Act*, submissions to The Minister's Committee on Education Financing and the Special Legislative Committee on Assessment and Taxation, and most recently briefs on *Bill 28 - An Act to Amend the Municipalities Assistance Act* are but a few.

The major document for the current discussion, however, was our 1970 publication *"The Urban Fiscal Problem - Piecemeal or Aggregate Solutions?"*. This paper asked that no further piecemeal solutions be undertaken. It outlined firm positions on the subject of assessment, taxation, and fiscal planning, and asked the government to state its position. Our recommendations with respect to fiscal planning best summarize our feelings with respect to the Task Force. (See Appendix.)

Arising from that document, the government agreed to appoint an Alberta Provincial-Municipal Fiscal Commission with broad terms of reference and adequate resources to present comprehensive recommendations on solutions to the municipal fiscal dilemma.

There followed a series of consultations between the A.U.M.A., the Alberta Association of Municipal Districts & Counties and the government on the composition and terms of reference of the Commission. At a final meeting the terms of reference were approved after detailed discussion and amendment by the Associations and the government.

The Associations submitted nominations for membership on the Commission and agreed that the government choose the Chairman. With that exception we felt that it was, in a real sense, our Commission and would be able to undertake a study of the type and depth that would produce significant results.

When the Commission was replaced by the Task Force on Provincial-Municipal Fiscal Arrangements, now commonly known as the Farran Task Force, we were encouraged by the retention of our terms of reference. While we experienced some reservations regarding the depleted budget for the study, we were hopeful that the original vision would not be lost.

We must now reluctantly conclude, however, that the original purpose will not be met by the Task Force approach. The Task Force has applied itself diligently to the matters to which it was instructed to give "*special regard*" and we recognize the right of the government to establish its own priorities. However, in dealing with these priority items we believe that the larger questions have not been answered. Our terms of reference still remain our priority and we do not believe that the Task Force approach will be successful in carrying them out.

MUNICIPAL CONCERNS WITH THE INTERIM REPORT

We realize that a great deal of time and effort went into the preparation of the Interim Report of the Task Force. We also accept Mr. Farran's assurances that the report is not a position paper and that it is subject to change before taking final form in December.

We realize that on the face of it the Interim Report is an attractive document in that it *appears* to take a long step toward relieving the homeowner's property tax burden for the costs of human resource programs. However, we must express our concern regarding the deeper implications of the report.

We believe that most municipalities will have to levy some extra mill rate simply to break even under the interim proposals. This additional levy will decrease the homeowner's benefit from the proposals and will place a greater burden on all other types of property.

We are concerned at the discrimination against residential tenants which is perpetuated and increased by the proposal. While the homeowner gets more relief than at present, the tenant family receives no relief and feels the brunt of the shift of property tax burden away from owner-occupied residences to other types of property.

We are concerned about the effect on small businesses, particularly those outside the major cities which are presently operating at marginal profit levels. The split mill rate proposal has serious consequences for these small businessmen and for business development in smaller market areas.

We are concerned at the disruptive effect of which might be termed this "*dabbling*" in the present fiscal system. The proposal requires many procedural changes for implementation and disrupts the present balance without, in our opinion, addressing itself to the major problems.

We are concerned that one stroke of the legislative pen can eliminate the Municipal Assistance Grant without any binding agreement on the remainder of the legislative and regulative changes required. Nor do we have assurance that in return for surrendering the Municipal Assistance Grant, formerly a rising source of municipal revenue, that we may expect the province to provide the same percentage as proposed in the Interim Report of the total costs of the various human resource programs - costs which rise each year.

We are concerned that the proposal appears cumbersome to administer, particularly if the Alberta Shelter Tax Credit Plan is adopted. This seems to be an inefficient and expensive method of attaining the stated goal. When the goal should be simplicity, the proposal adds complexity to the taxation system.

We are concerned that the final report of the Task Force be a public report, available to all Albertans. For meaningful discussion, and in order to develop a feeling of participation in governmental decision making, the local governments and the people of Alberta are entitled to the background information based on which legislative changes are prepared.

We are disappointed with the proposals set out in the Interim Report. In general, they are uncertain in that one cannot determine the real impact of the changes proposed. Certain trade-offs are proposed with the suggestion that the municipalities would be better off after various responsibilities had been re-assigned. But there is no certainty about this, and the report does not justify or defend its proposals. This is our major concern. We are being asked to agree to some realignment of provincial-municipal responsibilities on the good faith of the report. We require some concrete considerations, not generalized statements.

Therefore the A.U.M.A. considers that a Provincial-Municipal Finance Commission should be established to undertake the study under the original terms of reference; and further we recommend that in the interim grants to municipalities should be increased so that additional revenue does not have to be raised from property tax.

A P P E N D I X

"Urban Crisis" January 1968

"A continuing Committee comprising provincial, municipal and school board officials should be established to review the division of financial and administrative responsibility for common services and problems of joint interest."

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1969 Annual Convention Resolution

"Therefore Be It Resolved that the Government of the Province of Alberta be requested to appoint a Commission to review all aspects of this field and that the Commission be structured similar to that of 'The Ontario Committee on Taxation - 1967' with the terms of reference which were as follows:

'to inquire into and report upon the taxation and revenue system of the Province of Ontario and its municipalities and school boards in relation to their expenditures, the tax and revenue sources available to them, their debts and other financial obligations, with a view to determining whether within the constitutional limitations existing and having regard to present and potential financial requirements, such tax and revenue system is as simple, clear, equitable, efficient, adequate and as conducive to the sound growth of the Province as can be devised'."

"The Urban Fiscal Problem - Piecemeal or Aggregate Solution" 1970

Restated the 1969 Resolution and commented:

"The findings of the Special Committee appointed by the Government of Alberta to Study Assessment and Taxation only confirm our position and further indicate the need for such a Commission."

Fiscal Planning

1. There must be further integration of the provincial and municipal tax systems. All Provincial and municipal programs and services should be carefully co-ordinated and the fiscal responsibilities of each clearly defined.
2. The provincial and municipal governments should prepare a joint or integrated long-range financial plan. Planning of future services and programs is meaningless unless they are economically feasible and financial resources known."

"An Open Letter Protesting Bill 28 - An Act to Amend the Municipalities Assistance Act" April 1971

"We wish to co-operate with Government in seeking solutions to municipal-financial problems, but we are opposed to a piecemeal approach to resolving these problems. We seek a detailed study of all aspects of provincial-municipal fiscal arrangements, and an adherence to the principle that we are entitled to a percentage share of Alberta's natural resource income as a partner, and not as a poor relative."

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